COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: July 11, 2011

TO: Johnny Thomas, Chairman, Committee on Finance and Audit
Joe Sanfelippo, Chairman, Committee on Personnel
Paul Cesarz, Chairman, Pension Study Commission

FROM: Mark Grady, Principal Assistant Corporation Counsel

SUBJECT: ORD 11-8; Proposed **Substitute** Ordinance Amendments for Implementation of State-Mandated Employee Pension Contributions

Issue

A prior resolution and set of ordinance amendments were submitted to prepare for possible implementation of state-mandated employee pension contributions based on 2011 Wisconsin Act 10. At that time, it was not known whether the law would become effective and, if so, when. Since the submission of the prior proposal, 2011 Wisconsin Act 10 became effective on June 29, 2011.

In addition, after the prior amendments were provided to the County Board, the state adopted the biennial budget in 2011 Wisconsin Act 32. That Act now requires that current nonrepresented managerial law enforcement and firefighting employees be treated the same as current represented law enforcement and firefighting employees with respect to the pension contribution. Because represented members of the Deputy Sheriffs Association and the Firefighters Association are not required to make pension contributions, nonrepresented managerial law enforcement and firefighting employees cannot be required to make contributions. However, the biennial budget also provides that law enforcement and firefighting employees hired in the future are required to make the employee pension contribution; it prohibits collective bargaining concerning the employee pension contribution for deputy sheriffs and firefighters hired in the future. The attached substitute resolution and ordinance amendment incorporates these new provisions.

In addition, the prior resolution and ordinance amendments based the actuarial calculation of the amount of the employee contribution on the annual actuarial calculation of the "estimated budget contribution." However, the actuary has since recommended that the calculation instead should be based on the annual "actual contribution required for the current year." Therefore, the attached substitute resolution and ordinance amendments incorporate that recommendation. It has been determined that the pension contributions are required beginning with the pay period starting July 24, 2011 (that is paid on August 18, 2011). The actuary has calculated that the required percentage of pay for the employee contribution for 2011 and 2012 should be 4.7%.

Recommendation

In order to conform the ordinance amendments to the most recent state law and to incorporate the now known effective date of the state law, the attached **substitute** resolution and ordinance amendments are being submitted. This resolution and ordinance amendment should be adopted as a substitute to the prior proposal.

cc: Chris Abele, County Executive
George Aldrich, Chief of Staff, County Executive
Terry Cooley, Chief of Staff, County Board
Carol Mueller, County Board Clerk
Jody Mapp, County Board Clerk
Employee Benefit Work Group members

By Supervisor ORD 11-8

Journal,

A RESOLUTION AND ORDINANCE

To amend Sections 201.24(3.3), (3.5) and (3.11) of the Milwaukee County General Ordinances as it pertains to pension benefits.

WHEREAS, the State of Wisconsin adopted State Statute section 59.875, as part of 2011 Wisconsin Act 10, mandating that Milwaukee County collect from employees one half of the actuarially required contribution for funding benefits of the retirement system, and

WHEREAS, the State of Wisconsin adopted 2011 Wisconsin Act 32, the biennial budget, containing amendments to section 59.875; and

WHEREAS, any employee contributions that may be mandated by state law can only be made on a post-tax basis under current county ordinances; and;

WHEREAS, an amendment to county ordinances is required in order for any state mandated employee pension contributions to be made on a pre-tax basis; and

WHEREAS, pursuant to Section 201.24(8.17) of the Milwaukee County Code of General Ordinances, the proposed changes have been referred to the Pension Board and the Pension Board has been given thirty (30) days to comment upon the proposed changes, and

WHEREAS, the proposed changes have been referred to the pension fund actuary whose actuarial analysis indicates the changes will have no actuarial effect on the retirement system, but will result in reduced contributions by Milwaukee County; and

WHEREAS, the Pension Study Commission reviewed the actuary's report on July 22, 2011 and has recommended the County Board adopt the proposed changes (Vote X-X); now therefore

BE IT RESOLVED, that the Milwaukee County Board of Supervisors, consistent with section 201.24(3.11)(3)(c) below, establishes the amount of contribution for any required contributions during 2011 as four and seven-tenths percent (4.7%);

BE IT FURTHER RESOLVED, that the Milwaukee County Board of Supervisors hereby amends Section 201.24 of the Milwaukee County Code of General Ordinances by adopting the following:

AN ORDINANCE

The County Board of Supervisors of the County of Milwaukee does ordain as follows:

SECTION 1. Section 201.24(3.11) of the General Ordinances of Milwaukee County is amended and restated in its entirety as follows:

3.11 Employee Contribution

(1) Mandatory Employee Contributions. Each member of the Employees' Retirement System shall contribute to the retirement system a percentage of the "Member's Compensation" according to subsections 3.11(2) and (3) based on the following schedule:

(a) Effective January 1, 2011 through July 23, 2011, for any member who is not covered by the terms of a collective bargaining agreement, ~~who is an elected official,~~ or who is covered by a collective bargaining agreement that has adopted this ordinance, other than members who make a contribution to the System under section 3.3(2), the member shall contribute the amount provided in subsection (3)(a);

(b) Effective January 1, 2011 through July 23, 2011, for any member who is an elected official, the member shall contribute the amount provided in subsection (3)(b);

(c) Except as provided in paragraph (g), effective July 24, 2011, any member who is, or on a subsequent date becomes, (1) not covered by the terms of a collective bargaining agreement, or (2) an elected official, or (3) covered by a collective bargaining agreement with the American Federation of State, County and Municipal Employees (AFSCME), shall contribute the amount provided in subsection (3)(c);

(d) Effective July 24, 2011, any member whose initial date of membership in the retirement system is on or after July 24, 2011 and who (1) is not covered by the terms of a collective bargaining agreement, or (2) is an elected official, or (3) is covered by a collective bargaining agreement with the American Federation of State, County and Municipal Employees (AFSCME), or (4) is covered by a collective bargaining agreement with the Milwaukee Deputy Sheriffs Association, or (5) is covered by a collective bargaining agreement with the Milwaukee County Firefighters Association, shall contribute the amount provided in subsection (3)(c);

(e) Effective January 1, 2012, a member who is covered by a collective bargaining agreement with (1) the Association of Milwaukee County Attorneys, or (2) the Federation of Nurses and Health Professionals, or (3) the Milwaukee Building and Trades Council, or (4) the Technicians, Engineers, and Architects of Milwaukee County, or (5) the International Association of Machinists and Aerospace Workers, shall contribute the amount provided in subsection (3)(c);

(f) Any member whose initial date of membership in the retirement system is on or after January 1, 2012 and who is covered by the terms of a collective bargaining agreement with (1) the Association of Milwaukee County Attorneys, or (2) the Federation of Nurses and Health Professionals, or (3) the Milwaukee Building and Trades Council, or (4) the Technicians, Engineers, and Architects of Milwaukee County, or (5) the International Association of Machinists and Aerospace Workers, shall contribute the amount provided in subsection (3)(c);

(g) Any member who, on July 24, 2011, was a nonrepresented law enforcement or firefighting managerial employee, as set forth in section 59.875 of the statutes, and any member who, on July 24, 2011, was a represented law enforcement or firefighting employee and who becomes, after July 24, 2011, a nonrepresented law enforcement or firefighting managerial employee, as set forth in section 59.875 of the statutes, shall contribute the same amount respectively as represented law enforcement and firefighting employees whose initial date of membership in the retirement system was prior to July 24, 2011.

~~, shall contribute to the retirement system a percentage of the “Member’s Compensation” according to subsection 3.11(2).~~

(2) “Member Compensation” shall include all salaries and wages of the member, except for the following: overtime earned and paid; any expiring time paid such as overtime, and holiday; and injury time paid; and any supplemental time paid such as vacation or earned retirement.

(~~2~~3) Contribution Percentage: The percentage shall be as follows:

(a) Two (2) percent of Member's Compensation earned between January 9, 2011 and June 11, 2011;~~.~~

~~(b) T~~and three (3) percent of Member's Compensation earned between June 12, 2011 and July 23, 2011~~December 10, 2011~~;

~~(c) Fand four (4) percent of Member's Compensation earned on or after December 11, 2011;~~

(~~d~~b) ~~Notwithstanding the sections 3.11(2)(a) and (c), elected officials shall contribute t~~Two (2) percent of Member’s Compensation earned ~~on and after~~ between January 9, 2011 and July 23, 2011.

(c) A percentage of Member’s Compensation as established by the County Board based on a recommendation from the retirement system actuary. The percentage of Member’s Compensation shall be derived from the “actual contribution required for the current year” as set forth in section 3.1 of chapter 201.24 of the ordinances, with members being responsible for the contribution required by State statute. The County Board shall set forth in its annual adopted budget the percentage of a Member’s Compensation required to comply with the statutorily required contribution. The percentage of a Member's Compensation may vary from year to year and shall be applicable for 26 pay periods and shall apply on a prospective basis beginning with the first pay period each year.

(~~3~~4) Pick-Up Contributions. Notwithstanding the preceding, contributions shall be made by the County in lieu of contributions by the employee even though the contribution is designated as an employee contribution. Members have no option to choose to receive the contributions provided for in this section directly instead of having the contribution paid by the County to the retirement system. The contribution shall be made on a pre-tax basis, and there shall be a corresponding reduction in compensation actually paid to the member. These contributions shall qualify as pick-up contributions (pursuant to Internal Revenue Code section 414(h)(2)). These contributions shall have no impact on internal plan contribution limits or forms of benefit payment under the retirement system. The pick-up of these contributions shall not be construed to reduce the salary upon which final average salary is calculated, as defined in section 2.8. Unless specified otherwise, these contributions do not impact the calculation of a member's benefit. The designation and qualification of these contributions as pick-up contributions pursuant to Internal Revenue Code section 414(h)(2) does not, however, result in the County paying the required contribution on behalf of the employee in a manner inconsistent with State statutory requirements and its prohibition of an employer making the payment on behalf of the employee.

Notwithstanding the preceding, contributions made under this section by optional members, as defined in section 3.3(2), shall not be picked up and made on a pre-tax basis as provided in this subsection unless and until the County receives a favorable private letter ruling from the IRS authorizing such pick-up. Corporation Counsel shall determine if and when a favorable private letter ruling has been received and pick up of these contributions shall then commence for optional employees.

(~~4~~5) Determination of Accumulated Contributions. A member's accumulated contributions shall be equal to the sum of his mandatory employee contributions.

(~~5~~6) Refund of Accumulated Contributions.

(a) Refunds of all accumulated contributions made under this section 3.11, with interest at the rate of five percent (5%) per annum, shall be made on the same conditions and under the same circumstances as refunds under section 3.5, but may only be paid in the form of a lump sum payment. For an employee terminating employment with the County, any refund of accumulated contributions must be requested within 60 days after termination.

(b) Members receiving a refund or on whose behalf a refund is paid under this subsection shall cease to be a member of the Employees' Retirement System and shall have no further right to any benefit under this plan.

(c) The provisions of section 11.1 shall not apply to accumulated contributions withdrawn by members under this section.

SECTION 2. Section 201.24(3.3) of the General Ordinances of Milwaukee County is amended and restated in its entirety as follows:

3.3. Employe membership accounts.

(1) In addition to the contributions required by section 3.1, the county, commencing with the 4th day of January 1969, shall contribute to the system the following percentage of the earnable compensation of each member, except members listed in paragraph (2):

(a) Employes, other than deputy sheriffs and elected officials, six (6) percent.

(b) Deputy sheriffs, eight (8) percent.

(c) Elected officials, eight (8) percent.

All such sums contributed by the county for members whose last period of employment began prior to January 1, 1971, shall be credited to the employe's membership account in addition to contributions made by the employe, other than voluntary savings. The contributions provided for in this section 3.3(1) shall be considered separate and distinct from the employe contributions required under section 3.11.

(2) In addition to the contributions required by section 3.11, t~~T~~he following members, who have elected to become optional members of ERS, shall also contribute to the system, by payroll deduction, six (6) percent of their earnable compensation:

(a) All interns, students and trainees employed in non-civil-service positions.

(b) All resident physicians employed in non-civil-service positions.

(c) Seasonal employes, except those whose last period of continuous membership began prior to December 24, 1967.

(d) Employes serving under emergency appointments except:

(1) Employes whose last period of continuous membership began prior to December 24, 1967.

(2) Employes on leave of absence to accept an emergency appointment.

(3) Employes whose positions have been reclassified.

Every member required to make the above contribution shall be deemed to consent and agree to the payroll deductions made and provided herein. All sums contributed by a member shall be credited to his membership account. The contributions provided for in this section 3.3(2) shall be considered separate and distinct from the employe contributions required under section 3.11.

SECTION 3. Section 201.24(3.3) of the General Ordinances of Milwaukee County is amended and restated in its entirety as follows:

3.5. Refunds upon severance or death.

Notwithstanding the following, a member shall not be eligible to receive a refund of the portion of his membership account attributable to accumulated contributions contributed under section 3.11 if the member's employment was terminated due to fault or delinquency on the member's part under section 4.5 or if the member or a beneficiary of the member is eligible, at the time the request for a refund is made, for the present receipt of any monthly annuity benefit under sections 4.1, 4.5, 6.1, 6.2, 6.4, 7.1 or 7.2 of the Chapter 201.24 of the ordinances. Upon termination of employment, for reason other than death or retirement, a member shall be entitled to receive a refund of the balance as of the date of termination of his membership account and his savings account, accumulated at interest as set from time to time by the board. However, if a member who is eligible for a deferred vested pension withdraws his membership account, he shall forfeit all rights to a deferred vested pension.

Upon termination of employment by reason of a member's death or upon the death of a member who is eligible for a deferred vested pension, the member's beneficiary shall be paid in lump sum the balance, as of the date of death, of his membership account and his savings account, provided that if a joint and survivor option under section VII is effective or a survivorship benefit under section VI is payable, the membership account shall not be paid to the beneficiary. However, if the amount of the membership account at the date of a member's death exceeds the total of the amount of the payments made to the spouse and children under sections 6.1, 6.2, 6.4 and 7.1, after all payments due thereunder have been made, such excess shall be paid in a lump sum to the member's beneficiaries.

Upon retirement of a member, the balance of his savings account shall be paid in one (1) of the following forms as determined by the board:

(a) Lump sum payment.
(b) Life annuity with full cash refund or on a term certain basis.
(c) Installments of a designated amount or over a designated period of time.

If under any of the above options a benefit becomes payable to some other person as a result of the death of the retired member, payment shall be made to the beneficiary designated by the member or, in the absence of a valid designation, than as provided in section 2.16.

SECTION 4. The provisions of this ordinance shall be effective upon passage and publication.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 07/13/2011 Updated

Original Fiscal Note ☐

Substitute Fiscal Note ☒

SUBJECT: State Mandated Employee Pension Contribution - Ordinance Change

FISCAL EFFECT:

☐ No Direct County Fiscal Impact

☐ Existing Staff Time Required

☐ Increase Operating Expenditures
(If checked, check one of two boxes below)

☐ Absorbed Within Agency's Budget

☐ Not Absorbed Within Agency's Budget

☒ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ Use of contingent funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	-1,551,643	-6,897,400
	Revenue	0	0
	Net Cost	-1,551,643	-6,897,400
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.

B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. [1] If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.

C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.

D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. Proposed County ordinance amendments are being made for implementation of the State-mandated employee pension contributions. The State budget repair bill included a statute change that would require employees to "pay half of all actuarially required contributions for funding benefits under the retirement system." The Pension Actuary, Buck Consultants, has issued a letter dated July 11, 2011, which provides their report on the State statute change, and the impact on Milwaukee County. The fiscal note is prepared based on letter issued by the actuary.

For 2011, the County adopted a pension contribution of 2% for non-represented employees, increasing to 3% in June, and 4% at the end of December. The pension contribution was matched with a wage increase of 1% in June and another 1% in December. The pension ordinance has already been adjusted for the pension contribution adopted for non-represented employees. The proposed ordiance changes would provide for the requirements that are proposed under the State statutue.

In a question and answer document that was provided to employees on the State Budget Repair Bill, a discussion occurred regarding the pension change. In that document, an initial pension contribution from employees was estimated at 6% for 2011. The City of Milwaukee currently has a 5% rate, and the State of Wisconsin was proposing a rate for members of its employee retirement system of 5.7%. The County contribution of 6% was based on an allocation of normal cost and prior service cost to contributing employees, with no offset for retiree allocation.

[1] If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

The rate being proposed by the Actuary in the July 11, 2011 letter to the Pension Study Commission is 4.7%. This rate is a reduction from the earlier estimate. The employee pension contribution represents a sharing of the annual pension expense of the County's Employee Retirement System (ERS). The ERS pension expense consists of Normal Cost and Prior Service Cost. The The Actuary's interpretation of the State Statute finds that full nomal cost should be allocated to active contributors and non-contributors. The normal cost represents the cost of benefits earned by active employees in the current year. Per the actuary, the prior service cost should be allocated based on the active employees proportional share of the actuarial liability. Active employees represent 31% of the Actuarial Liability.

Attached to this fiscal note are schedules that breakdown the calculation of the employee contribution for active employees (Exhibit A). In addition, there is a breakdown of the budget impact of the State Budget Repair bill, based on different contribution rates, including the rate from the Actuary (Exhibit B).

Exhibit C - Exhibit F provide an outlook of the pension contribution for the years 2012 - 2017. During these years, the normal cost increases by 3.5% per year, but the prior service cost increases at a greater rate, based upon the items that have occurred in prior years including the loss on investments in 2008, and the runout of the Mercer settlement that was contributed in 2009.

Under the proposed ordinance change, the actuary has based their estimates on waiting for actual pension expenses to be determined prior to determining an employee pension contribution rate. Exhibit G and Exhibit H provide a comparison of two methods of calculating the employee contribution. Exhibit G shows the change in employee contributions (based on actual expense) matched with the change in pension expense. Due to employee contributions lagging pension expense by one year, there is a delay in the catchup of employee contributions with pension expense of that one year. Exhibit H provides a comparison if both the pension expense and employee contributions were calculated on the same basis.

Exhibit I and J provide an estimate of the pension contribution by Union under different rate scenarios for 2012. Exhibit K and L provide an estimate of the pension contribution by Union under different rate scenarios for 2011. For 2011, the contribution rates would only apply to AFSCME DC-48, and non-represented employees.

B. Per Exhibit L, the County would have cost savings in 2011 of $1,551,600 over a current budget for employee contributions of $1,260,000. This estimate is based on an implementation of the State Budget Repair Bill on July 24, 2011. These additional savings would be used to offset fringe benefit costs that are currently not being achieved in org unit 1950, or in org unit 1972.

Per Exhibit J, the County would have net cost savings of $6,897,400 for the 2012 year. The savings are after consideration of any revenue offsets for departments that receive outside revenue. The full gross contribution received would be $9,053,000 for 2012. The schedule is broken down by union. It is anticipated that all unions will be participating in the employee contribution, except Deputy Sheriffs and Firefighters. These two unions are identified as the public safety unions. They have been exempted from the employee contribution under the State Statute. The County could negotiate a contribution from the public safety unions, but it is not anticipated that they will contribute in 2012.

C. The savings generated by the change in State Statutue, if made into law, will provide an offset to the costs in the 2011 and 2012 budget, and for years going forward. The cost savings is tied to the pension expense and therefore provides an offset to the pension expense. The pension expense generally fluctates more due to prior service cost then due to normal cost. As stated earlier, the employee contribution is more tied to the normal cost then the prior service cost, therefore, the employee contribution will not fluctuate to the level of the pension expense. For example, in 2015, it is anticipated that pension expense will increase by $9.2 million. Half of that contribution increase is $4.5 million. However, the employee contribution would only be increased by $1.4 million under a budget basis or by $0 under an actual contribution calculation basis. The increase in pension expense in future years, due to changes in prior service costs, will have to be provided from other means then the employee contribution.

D. Calculations were based upon the July 11, 2011 report from the Actuary to the Pension Study Commission, the Annual Actuarial Report as of January 1, 2011 from Buck Consultants, a spreadsheet of the projection of annual pension cost prepared by the County and the County's Actuary, and calculations done by the Department of Administrative Services.

Department/Prepared By Department of Administrative Services - Scott B. Manske

Authorized Signature

Did DAS-Fiscal Staff Review? ☐ Yes ☒ No

Fiscal Note on Proposed Ordinance Changes for State Mandated Employee Pension Contributions.

Milwaukee County
Analysis of Required Contribution based on State Budget Repair Bill
ERS Members only. OBRA is not in these numbers.

EXHIBIT A

		2012			Proposed Dollars	Pcnt Salaries of Contributors
1	Normal Cost	$ 19,480,100	9	Full Contribution	$ 26,808,000	13.8%
2	Prior Service Cost	7,327,900	10	Reduction for Administrative Cost	(1,063,788)	-0.5%
3	Total Pension Exp	$ 26,808,000	11	Reduction for Retiree portion of Prior Service Cost	(3,938,900)	-2.0%
4	Prior Service Cost		12	Reduction for Non-Contributors "Public Safety"	(3,697,312)	-1.9%
5	Admin Expense	$ 1,558,200			$ 18,108,000	9.4%
6	Active	1,830,800				
7	Retirees	3,938,900	13	Half of Actuarial Contribution	50%	
8		$ 7,327,900	14	Employee Contribution	$ 9,054,000	4.7%

Actuarial Liability of Contributors	$ 547,220,130	15	Salaries of Contributors	$ 193,563,275
Act Liability Non-Contributors and Retirees	$ 1,544,706,521			
Total Actuarial Liability	$ 2,091,926,651			

Schedule is intended to show the allocation of pension costs under the interpretation of the State Statute 59.875 (Budget Repair Bill) of half of all actuarially required contributions for funding benefits under the retirement system. The Actuary finds that normal cost is fully allocable under the State Statutue to active employees. However, administrative costs charged to the pension plan, plus the prior service cost related to retirees is only partially allocable, therefore a portion of these costs are removed from allocation formula. Final adjustment is for the cost of non-contributors which reduces the contribution for employee groups who provide a contribution.

Exhibit B

Employee Contributions	2011 Budget	2012 Budget	Contribution Rate	
Half ARC - No Adjustment	$ 2,006,083	$ 8,917,800	6.0%	
Adjusted Rate - Before Public Safety Offset	$ 1,631,753	$ 7,254,200	4.9%	
Adjusted Rate - with Public Safety Offset	$ 1,551,643	$ 6,897,400	4.7%	**Proposed**

Estimate of Budget impact under different scenarios presented in this fiscal note.

EXHIBIT C
Contribution Rate from Employees - 2012 - 2017

	Full Contribution	Alloc Half ARC - No Adj.	Adj For Prior Svc - Combined	Proposed Non Public Safety - Adj Prior Svc
2012	12.1%	6.0%	4.9%	4.7%
2013	13.7%	6.9%	5.2%	4.9%
2014	15.0%	7.5%	5.4%	5.1%
2015	13.7%	6.9%	5.2%	4.9%
2016	16.9%	8.4%	5.7%	5.4%
2017	17.4%	8.7%	5.8%	5.5%

The Full Contribution represents the total employee contribution based on the pension expense, including normal cost and prior service cost. The Allocation of the Half Arc, is simply half of the Full Contribution rate. The Adj for Prior Service Combined reduces prior service cost allocation for administrative cost and prior service cost allocatable to retirees based on their portion of the actuarial accrued liability. The non-public safety - adj for prior service cost, attempts to split the normal cost between public safety and non-public safety. Public safety has a higher percentage of normal.

Milwaukee County
Analysis of Required Contribution based on State Budget Repair Bill
ERS Members only. OBRA is not in these numbers.

EXHIBIT D

Future Full Pension Expense versus Allocable Pension Expense

	Full Pension Expense			Allocated Under Proposal		
	Normal Cost	**Prior Service Cost**	**Full Pension Expense**	**Normal Cost**	**Prior Service Cost**	**Proposed Pens Exp To Be Allocated**
				87.3%		
2012	$ 19,480,000	$ 7,328,000	$ 26,808,000	$ 16,104,200	2,003,800	18,108,000
2013	$ 20,162,000	$ 11,327,000	$ 31,490,000	$ 16,668,100	3,051,900	19,720,000
2014	$ 20,868,000	$ 14,827,000	$ 35,695,000	$ 17,251,400	3,970,600	21,222,000
2015	$ 21,598,000	$ 12,144,000	$ 33,742,000	$ 17,855,200	3,271,800	21,127,000
2016	$ 22,354,000	$ 20,574,000	$ 42,928,000	$ 18,480,300	5,479,700	23,960,000
2017	$ 23,137,000	$ 22,668,000	$ 45,804,000	$ 19,127,100	6,029,900	25,157,000

The actuary has determined that Normal Cost has a true relationship to active employees, and the actuary is allocating that cost to the groups based upon their pensionable wages. Contributions, as proposed, consist mostly of normal cost allocation. Prior Service Cost is being allocated based on the percentage of the actuarial accrued liability. As a result, the active employees are only 31% of the actuarial accrued liability, so they have a smaller share of that cost. As prior service cost rises, the employee contribution rises slower.

** - employee contributions from contributors only. Non-contributors, as a result, do not make a contribution, and therefore are not part of this number.*

EXHIBIT E

Comparison of Employee Contributions based on Full and Allocable Pension Expense

	Pension Expense	Emplyee Contib	Proposed	Proposed
	Full Pension Expense	**Alloc Half ARC - No Expense Adj.***	**Pension Exp To Be Allocated**	**Non Public Safety - Adj Prior Svc ***
Contribution				
2012	$ 26,808,000	11,706,000	18,108,000	9,054,000
2013	$ 31,490,000	13,750,000	19,720,000	9,860,000
2014	$ 35,695,000	15,586,000	21,222,000	10,611,000
2015	$ 33,742,000	14,733,000	21,127,000	10,563,000
2016	$ 42,928,000	18,744,000	23,960,000	11,980,000
2017	$ 45,804,000	20,000,000	25,157,000	12,578,000

The Full Pension Expense represents the annual pension expense, as estimated by the Acutary, over the next several years. The proposed employee contributions, are based on the proposed pension expense to be allocated. Reductions have been made to the pension expense, based on an allocation of prior service costs, between active and retired participants.

** - employee contributions from contributors only. Non-contributors, as a result, do not make a contribution, and therefore are not part of this number.*

EXHIBIT F

Variance of Employee Contributions based on Full and Allocable Pension Expense

	Alloc Half ARC - No Expense Adj.*	**Non Public Safety - Adj Prior Svc ***	Proposed **Variance from Est Emplyee Contrib**
Employee Contribution Variance			
2012	11,706,000	9,054,000	(2,652,000)
2013	13,750,000	9,860,000	(3,890,000)
2014	15,586,000	10,611,000	(4,975,000)
2015	14,733,000	10,563,000	(4,170,000)
2016	18,744,000	11,980,000	(6,764,000)
2017	20,000,000	12,578,000	(7,422,000)

The variance between the Half Arc contribution and the other options, shows a growing gap, as the prior service cost increases in the future years.

Milwaukee County
Analysis of Required Contribution based on State Budget Repair Bill
ERS Members only. OBRA is not in these numbers.

EXHIBIT G

Contribution based on Actual Expense

	Budgeted	Change in Exp	Alloc Half ARC - No Adj. Change Contrib	Proposed Non Public Safety - Adj Prior Svc Change Contrib	Actual
2012	$ 31,490,000				$ 26,808,000
2013	$ 35,695,000	$ 4,205,000	2,044,000	806,000	$ 31,490,000
2014	$ 33,742,000	$ (1,953,000)	1,836,000	751,000	$ 35,695,000
2015	$ 42,928,000	$ 9,186,000	(853,000)	(48,000)	$ 33,742,000
2016	$ 45,804,000	$ 2,876,000	4,011,000	1,417,000	$ 42,928,000
2017	$ 47,392,000	$ 1,588,000	1,256,000	598,000	$ 45,804,000

Under the current proposal contributions from employees would be based on actual costs and would therefore lag the budgeted pension expense. As can be seen on the table above, in 2015 there is a $9.1 million increase in pension expense, but a $48,000 decrease in pension contribution, based on actual expense from the prior year. Actual cost is a better method of determining pension contribution, since it is based on actual experience. Normal cost and plan prior service activity are trued up.

EXHIBIT H

Contribution based on Budgeted Expense

	Budgeted	Change in Exp	Alloc Half ARC - No Adj. Change Contrib	Proposed Non Public Safety - Adj Prior Svc Change Contrib	Actual
2012	$ 31,490,000		2,044,000	806,000	$ 26,808,000
2013	$ 35,695,000	$ 4,205,000	1,836,000	751,000	$ 31,490,000
2014	$ 33,742,000	$ (1,953,000)	(853,000)	(48,000)	$ 35,695,000
2015	$ 42,928,000	$ 9,186,000	4,011,000	1,417,000	$ 33,742,000
2016	$ 45,804,000	$ 2,876,000	1,256,000	598,000	$ 42,928,000
2017	$ 47,392,000	$ 1,588,000	1,256,000	598,000	$ 45,804,000

Under a modified proposal contributions from employees would be based on budgeted costs and would therefore match the actual expense. As can be seen on the table above, in 2015 there is a $9.1 million increase in pension expense, but a $1,417,000 increase in pension contribution, based on actual expense from the prior year.

Milwaukee County
Analysis of Required Contribution based on State Budget Repair Bill
ERS Members only. OBRA is not in these numbers.

EXHIBIT I
Contrib By Union 2012 - If Annualized Full Contribution

	Alloc Half ARC - No Adj.	Proposed Non Public Safety - Adj Prior Svc	Pub Safety Only - Adj Prior Svc
	6.0%	4.7%	6.6%
Attorneys	297,700	230,200	
Bldg Trades	330,500	255,600	
Dist Council 48	6,786,600	5,249,200	
Dist Counc Seas	38,800	30,000	
Firefighter			67,400
Machinists	18,000	13,900	
Non Represented	3,025,400	2,340,100	
Nurses	1,014,700	784,800	
State Prosecutors	52,900	40,900	
Sheriff Deputies			1,781,300
Teamco	141,400	109,200	
	11,706,000	9,053,900	1,848,700

This schedule shows the breakdown in employee contributions by Union, under the different scenarios. The effective date is different for different unions depending on their contract expiration date.

EXHIBIT J
2012 Contribution Netted for Revenue Offset

	Alloc Half ARC - No Adj.	Proposed Non Public Safety - Adj Prior Svc	Pub Safety Only - Adj Prior Svc
Attorneys	222,800	172,300	
Bldg Trades	252,900	195,600	
Dist Council 48	4,719,400	3,650,300	
Dist Counc Seas	38,800	30,000	
Firefighter	-	-	-
Machinists	17,800	13,800	
Non Represented	2,541,100	1,965,500	
Nurses	950,800	735,400	
State Prosecutors	37,000	28,600	
Sheriff Deputies	-	-	1,781,300
Teamco	137,200	105,900	
	8,917,800	6,897,400	1,781,300

This schedule shows the breakdown in employee contributions by Union, under the different scenarios. The effective date is different for different unions depending on their contract expiration date. This shows the impact after revenue offset.

Milwaukee County
Analysis of Required Contribution based on State Budget Repair Bill
ERS Members only. OBRA is not in these numbers.

EXHIBIT K
Contrib By Union 2011 - If Annualized Full Contribution
Assume a four month contribution

		Alloc Half ARC - No Adj.	Proposed Non Public Safety - Adj Prior Svc
		6.05%	4.68%
Attorneys			
Bldg Trades			
Dist Council 48		2,262,200	1,749,733
Dist Counc Seas		12,933	10,000
Firefighter			
Non Represented	Budgeted	1,500,000	1,500,000
Non Represented	Additional Contribution	500,066	386,793
Nurses			
State Prosecutors			
Sheriff Deputies			
Teamco			
		4,275,200	3,646,527
	Budgeted	1,500,000	1,500,000
	Addl Contributions	2,775,200	2,146,527

EXHIBIT L
2011 Contribution Netted for Revenue Offset

		Alloc Half ARC - No Adj.	Proposed Non Public Safety - Adj Prior Svc
Attorneys			
Bldg Trades			
Dist Council 48		$ 1,573,133	$ 1,216,767
Dist Counc Seas		12,933	10,000
Firefighter			
Non Represented	Budgeted	1,260,000	1,260,000
Non Represented	Additional Contribution	420,017	324,876
Nurses			
State Prosecutors			
Sheriff Deputies			
Teamco			
		$ 3,266,083	$ 2,811,643
	Budgeted	$ 1,260,000	$ 1,260,000
	Addl Savings	$ 2,006,083	$ 1,551,643

Milwaukee County
Analysis of Required Contribution based on State Budget Repair Bill
ERS Members only. OBRA is not in these numbers.

EXHIBIT M

Comparison of State, County and City Pension Plans

	Milwaukee County (ERS)	City of Milwaukee	Wisconsin Retirement System (WRS)
Pension Multiplier	2%	2%	1.60%
Limitation on Payout	80% of Final Average Salary (FAS)	70% of FAS	70% of FAS
Final Average Salary	Three Highest Consecutive	Three Highest	Three Highest
Vesting Period	5 years	4 years	immediate
Employee Contribution	4.70%	5.5%, not paid by all employees	5.80%
Normal Retirement Age	Age 60 or Rule of 75, if eligible	Age 60 or age 55 plus 30 years of svc	Age 65 or age 57 plus 30 years of svc. May retire earlier with reduced benefit
Early Retirement	Age 55 plus 15 years of svc	Age 55	Age 55 plus 15 years of svc
Reduction for Early Retirement	5% per year	based on table	varies by amt of service
Active Employees	4,837	263,186	11,581
Retired Employees	7,308	144,033	11,082
Ratio of Active to Retired	0.66	1.83	1.05
Interest Assumption	8.0%	7.2%	8.5%
Wage Inflation	3.0%	4.0%	3.0%
Economic Spread	5.0%	3.2%	5.5%
Funded Ratio	95.7%	99.7%	99.1%
Annual Post-Ret Increase	2% flat	Invest Earnings; reductions possible	1.5% incr to 2%

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July 11, 2011

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
901 N. 9th St.
Milwaukee, WI 53233

RE: Actuary's Review of Proposed Ordinance Amendment to the Employees' Retirement System for State-Mandated Employee Pension Contributions

Dear Supervisor Cesarz:

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System of the attached ordinance amendment. The attached amendment incorporates the most recent law and one of our recommendations (see below). We understand that the attached will be proposed for adoption in the place of an earlier draft. This ordinance amendment is a result of Section 166 of 2011 Wisconsin Act 10, as amended by Section 1684p of 2011 Wisconsin Act 32. This letter replaces our letter dated June 10, 2011 on the same subject. County staff and the actuary have worked together to collect more information in an attempt to be as consistent as possible with the implementation of Wisconsin Act 10 utilized by the Wisconsin Retirement System (WRS).

Section 166 of 2011 Wisconsin Act 10, as modified by Section 1684p of 2011 Wisconsin Act 32, adds section 59.875 of the State statutes, which reads:

> **59.875 Payment of contributions in an employee retirement system of populous counties**
>
> **(1)** In this Section, "county" means any county having a population of 500,000 or more.
>
> **(2)** (a) Beginning the effective date of this subsection, in any employee retirement system of a county, except as provided in a collective bargaining agreement entered into under subch.IV of ch. 111 and except as provided in par, (b), employees shall pay half of all actuarially required contributions for funding benefits under the retirement system. The employer may not pay on behalf of an employee any of the employee's share of the actuarially required contributions.
>
> (b) 1. An employer shall pay, on behalf of a nonrepresented law enforcement or fire fighting managerial employee, who was initially employed by the employer before the effective date of this subdivision, the same contributions required by par. (a) that are paid by the employer for represented law enforcement or fire fighting personnel who were initially employed by the employer before the effective date of this subdivision.
>
> 2. An employer shall pay, on behalf of a represented law enforcement or fire fighting employee, who was initially employed by the employer before the effective date of this subdivision, and who on or after the effective date of this subdivision, became employed in a nonrepresented law enforcement or fire fighting managerial position with the employer, or a

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> successor employer in the event of a combined department that is created on or after the effective date of this subdivision, the same contributions required by par. (a) that are paid by the employer for represented law enforcement or fire fighting personnel who were initially employed by the employer before the effective date of this subdivision.

The state-mandated employee pension contributions will not change the overall liability and costs of the Employees' Retirement System. Thus, the law does not have an actuarial impact on the retirement system. It will, however, shift some of the cost of the Employees' Retirement System from the County to some, but not all, of the active employees covered under the Employees' Retirement System. The shift will come in the form of employee contributions. These employee contributions will be based on the results of the annual actuarial valuation.

Actuarial Analysis

Our actuarial analysis is based on our interpretation of the language in Section 166 of Wisconsin Public Act 10 and how the Wisconsin Retirement System has implemented the Act. The reader is encouraged to refer to our section entitled "*Commentary on Section 166 of Wisconsin Public Act 10*" later in this letter.

Our actuarial interpretations include:

- Sheriffs and firefighters, both non-represented and represented, are not required to contribute nor are members receiving benefits (retirees) or deferred members of the retirement system. We refer to these members as "non-contributors" in this analysis. All other members will be required by the State to contribute and are referred to as "contributors" in this analysis.
- The employee contribution rate is to be consistent for all contributors despite differences in benefits between individual members. Using one contribution rate minimizes administration and variability in contributions from year to year, employee group to employee group, and employee to employee. This is similar to WRS treatment of Act 10, which has limited the contribution rates to four groups: two for protective members and two for all others.
- Contributors that are already making contributions, such as most nonrepresented employees and elected officials, will migrate to the new rate upon the effective date of the law. Other represented groups will begin a contribution upon expiration of their respective bargaining agreements. A recalculation will not be needed in between valuation reports because their numbers are already included in our calculation of the contributors' contribution rate.
- Contributors will pay for half of *their portion* of the actuarially required contributions. This entails allocating unfunded liabilities between contributors on one hand and retirees and other non-contributors on the other hand. In addition, contributors contribute one-half of the contributors' normal cost. This treatment is consistent with the WRS. Under WRS, different rates are calculated for each of the four groups. In addition, retirees liabilities are not assigned to the rates assigned to actives.

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- In our previous letter, we interpreted the term "employees shall pay half of all actuarially required contributions for funding *benefits* under the retirement system" to mean that contributors do not pay for the amortization of administrative *expenses* contained in the actuarially required contributions from the County. Under the WRS, administrative expenses are assigned to each rate group. As such, we have now allocated administrative expenses to the contributor rates in proportion to the contributor liability.
- The draft ordinance amendments we reviewed base the employee contribution on the budget, or estimated contribution. We believe that a more accurate method for calculation of the employee contribution would be to base the calculation on the "current year" or "actual" contribution. The current year contribution is based on verified asset and liability experience rather than being an estimate. Thus, the contribution to be made by employees in 2012 should be based on the 2011 "current year" or "actual" contribution. The county makes the 2011 actual contribution in 2012 and employees would be making their share of the 2011 contribution at the same time as the county. As noted earlier, we understand that the attached substitute resolution will be offered in order to incorporate our recommendation on this point. Therefore, for purposes of determining employee contributions for calendar year 2012, we use the 2011 Actual Contribution of $26,808,037 as the basis for the employee contribution rate. The derivation of this 2011 actual contribution is contained in the January 1, 2011 Actuarial Valuation report issued May 13, 2011.

The determination of the employee contribution is on the next page. It is based on the interpretations above.

Milwaukee County Employees' Retirement System
Development of State-Mandated Employee Pension Contributions
Based on January 1, 2011 Valuation Results

	Results Based on Proposed Change		
Item	**Non-Contributors**	**Contributors**	**All Members**
	Amounts	**Amounts**	**Amounts**
Valuation Results as of January 1, 2011			
1. Present Value of Future Benefits			
a) Active Participants *	$ 123,674,010	$ 647,041,952	$ 770,715,962
b) Participants with Deferred Benefits	69,435,621	-	69,435,621
c) Participants Receiving Benefits	1,379,441,317	-	1,379,441,317
d) Total	$ 1,572,550,948	$ 647,041,952	$ 2,219,592,900
2. Present Value of Future Normal Cost	$ 27,844,427	$ 99,821,822	$ 127,666,249
3. Actuarial Accrued Liability: (1 - 2)	$ 1,544,706,521	$ 547,220,130	$ 2,091,926,651
4. Actuarial Value of Assets	$ 1,424,715,251	$ 504,712,613	$ 1,929,427,864
5. Funded Status: (4 / 3)	92.2%	92.2%	92.2%
6. Unfunded Actuarial Accrued Liability: (3 - 4)	$ 119,991,270	$ 42,507,517	$ 162,498,787
7. Normal Cost Rate	11.567%	8.006%	8.457%
8. Total Normal Cost for the Plan Year	$ 3,248,496	$ 15,496,676	$ 18,745,172
Projected Employee Contribution for 2012			
1. Actual Contribution for 2011			
a) Normal Cost with Interest	$ 3,375,936	$ 16,104,153	$ 19,480,089
b) Net Annual Amortization Payments **	5,411,054	1,916,894	7,327,948
c) Total Contribution: ((a + b), not less than zero)	$ 8,786,990	$ 18,021,047	$ 26,808,037
2. Employee Contribution (50% of 1c for Contributors)	N/A	$ 9,010,523	N/A
3. Expected Salaries in 2011	28,084,168	193,563,275	221,647,443
4. Employee Contribution Rate (2÷3)	N/A	4.7%	N/A
Projected Employee Contribution for Future Years* **			
2013		4.9%	
2014		5.1%	
2015		4.9%	
2016		5.4%	

* The actives in the Non-Contributor group include 448 members comprised of Represented Firefighters and Sheriffs and Non-Represented Firefighters and Sheriffs.

** The Net Annual Amortization Payments for the Contributors was prorated based on the contributors' actuarial accrued liability compared to total actuarial accrued laibility of the Retirement System. These payments include amortization payments for administrative expenses.

*** Based on 8% investement return on a market value basis for years beginning in 2011 and all other actuarial assumptions being realized.

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Based on the above analysis, $9,010,523 of the $26,808,037 actual contribution for 2011, to be made in 2012, will be shifted from the County to active employees.

Basis for the Analysis

Unless otherwise noted below, we have based this analysis on the data, assumptions and methods used for the most recently completed valuation, which was as of January 1, 2011.

The undersigned is a Member of the American Academy of Actuaries and meets the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Commentary on Section 166 of Wisconsin Public Act 10

At first glance, the language in Section 166 of Wisconsin Public Act 10 seems quite straightforward. Unfortunately, from an actuarial standpoint, it is quite vague and potentially subject to what appears to be unanticipated consequences. These ambiguities lead to the necessity to make the actuarial interpretations that are noted above. We will address some of these ambiguities here.

- The language superficially appears to require an allocation to active, non-exempt employees of one half of the entire actuarially required contribution that would otherwise be paid by the County. For example, of the $26,808,037 2012 actual contribution from page 16 of the Actuarial Valuation Report, employees would be required to pay one-half, or $13,404,019. If we were to utilize that interpretation to derive the employee contribution rate, we would divide the employee contribution portion of $13,404,019 over expected payroll of $221,647,000 to arrive at an employee contribution rate of 6.0% for 2012. But Section 166 exempts sheriffs and firefighters from contributing. Following the superficial interpretation would effectively require the contributing County employees to pay for one-half of the cost of the exempt employee's benefits. This interpretation would reduce the payroll over which the employee contribution rate is based to $193,563,000, resulting in an employee contribution rate of 6.9% of pay. This comes close to almost the entire normal cost of the contributor group, meaning that contributors would pay for almost all of their entire annual accruals. We do not believe such an interpretation to be appropriate and furthermore, it is inconsistent with the WRS implementation.
- Most of the volatility inherent in the contribution is due to asset changes rather than liability or benefit changes. Over 65% of the assets are held for the benefit of retirees. Subjecting affected employees to contribution volatility of assets held for the benefit of retirees would result in excessive employee contribution volatility.
- Contribution rates are currently lower than anticipated due to the reflection of contribution variances over the past couple of years. In the future, total contributions are expected to almost double, resulting in a doubling of the employee contribution rate. Employee communications will be important.
- Computed total employer contribution rates for WRS over the 25-year period ending December 31, 2010 have ranged from a low of 10.3% to a high of 12.9%. When compared to the contribution range for Milwaukee County over the past 25 years, the WRS exhibits an extremely

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low level of contribution volatility. There are two primary drivers of the contribution's lack of volatility. First, unlike ERS, under WRS benefits for members receiving payments can be increased or reduced based upon the actual experience of WRS. Second, according to page I23 of its latest actuarial valuation report, a "fundamental WRS objective is stable contribution rates." As a result, WRS contribution rates are based on reserves and other smoothing techniques which are not currently in use by the Milwaukee County Employees Retirement System. Because of that, large market volatility such as that seen during 2008 can result in significant changes in both employer and member contributions for ERS. The projection of employee contributions shown on page four is based on all assumptions being met. If all assumptions are met, contributions will increase from 4.7% to 5.4% over the next five years. Large market volatility as seen in 2008 can result in increases or decreases of 1.0% of employee pay per year. In the event of sustained market losses or gains, these increases or decreases may persist for several years. Stakeholders may wish to consider similar contribution volatility techniques to provide for stable contributions in the County of Milwaukee Employees Retirement System.

The above bullet points are in no means an exhaustive list of the challenges of this legislation. All stakeholders are encouraged to add input to the process.

We look forward to discussing this analysis with you.

Sincerely,

Larry Langer, ASA, EA, MAAA
Principal, Consulting Actuary

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cc: Mark Grady
Paul Wilkinson

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COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: July 5, 2011

TO: Chairman Lee Holloway, Milwaukee County Board of Supervisors

FROM: Mark A. Grady, Acting Deputy Corporation Counsel, Chair, Employee Benefits Workgroup

SUBJECT: Codification of 1.6 Pension Multiplier, normal retirement age of 64 and Rule of 75

Please refer the attached resolution and ordinance amendment to the Committee on Finance and Audit, to the Committee on Personnel, to the Pension Study Commission and to the Pension Board for comment.

2011 Wisconsin Act 10 (the budget repair bill) became effective on June 30, 2011. Under that law, Milwaukee County is prohibited from collective bargaining with non-public safety workers unions concerning pension benefits. Ordinance amendments are now permitted by state law and are required in order to effectuate the changes contained in the 2011 Adopted Budget, Org. Unit 1972, related to pension benefits, for unions that have not already agreed to those changes. The attached amendments adopt the 1.6 multiplier and the normal retirement age as soon as legally possible for those unions that either do not have an agreement in place or as soon as possible upon the expiration of any agreement.

For future reference and for the sake of completeness with respect to non-public safety workers, other amendments merely codify into the ordinances the provisions that already exist in union agreements related to the 1.6 multiplier, the normal retirement age of 64 and the rule of 75.

<u>1.6 Pension Multiplier</u>

One non-public safety worker union, AFSCME, does not have a current collective bargaining agreement covering 2011. Therefore, the county is authorized to make pension changes with respect to members of AFSCME without bargaining. The attached amendment adopts the 1.6 pension multiplier for that union effective August 1, 2011.

One non-public safety worker union, the Milwaukee Building & Construction Trades Council, has a current collective bargaining agreement covering 2011 that does not incorporate the 1.6 pension multiplier. For that union, any pension changes not contained in that agreement can only be made at the conclusion of that agreement; that is, after December 31, 2011. The attached amendment adopts the 1.6 pension multiplier for the Building Trades effective January 1, 2012.

The other four non-public safety worker unions have agreements that already incorporate the 1.6 multiplier. Those unions are the Technicians, Engineers, Architects of Milwaukee County, , the International Association of Machinists and Aerospace Workers, the Association of Milwaukee County Attorneys and the Federation of Nurses and Health Professionals. Because future agreements cannot address pension benefit matters, the 1.6 multiplier provisions that already exist in those agreements should be codified in the ordinances for future reference; the attached amendments do so.

Normal retirement age of 64

The situation with respect to the normal retirement age of 64 is the same as for the 1.6 multiplier. The attached amendments effectuate that provision on August 1, 2011 for AFSCME and on January 1, 2012 for the Building Trades and codify in the ordinances the provisions already contained in the agreements with the other non-public safety worker unions.

Rule of 75

All unions already have provisions addressing eligibility for the rule of 75. The rule of 75 is part of the determination of normal retirement and the other attached amendments also address the subject of normal retirement eligibility. Therefore, for the sake of future reference and completeness, the attached amendments codify in the ordinances the provisions already contained in the agreements with all of the non-public safety worker unions.

Other pension benefit provisions

Additional ordinance amendments will be proposed in the future for the sole purpose of documenting and codifying in the ordinances the remaining pension benefit provisions that are already contained in non-public safety worker collective bargaining agreements.

cc: County Executive Chris Abele
Linda Durham
Jodi Mapp

File No.

(Journal,)

A RESOLUTION

To implement provisions of the 2010 and 2011 Adopted Budgets, Org. Unit 1972 – Wage and Benefit Modifications, for non-public safety collective bargaining units, as permitted by 2011 Wisconsin Act 10.

WHEREAS, the 2010 Adopted Budget for Org. Unit 1972 – Wage and Benefit Modifications, included wage, health and pension modifications for all employees, including:

1. An increase in the normal retirement age for new members of the Employee Retirement System (ERS) from age 60 to age 64,

2. A reduction in the annual pension service credit multiplier for members of the ERS for all future years from 2.0% to 1.6%,

and

WHEREAS, these modifications were implemented in 2010 for non-represented employees (File No. 09-471); and

WHEREAS the collective bargaining agreement for members represented by the Technicians, Engineers and Architects of Milwaukee County and by the International Association of Machinists provides that service by their members on or after May 1, 2010 is credited at one and six-tenths (1.6) percent and that normal retirement age shall be age sixty-four (64) for their members whose initial membership is on or after January 1, 2010; and

WHEREAS the collective bargaining agreement for members represented by the Association of Milwaukee County Attorneys provides that service by its members on or after June 1, 2010 is credited at one and six-tenths (1.6) percent and that normal retirement age shall be age sixty-four (64) for its members whose initial membership is on or after January 1, 2010; and

WHEREAS the collective bargaining agreement for members represented the Federation of Nurses and Health Professionals provides that service by its members on or after January 1, 2012 is credited at one and six-tenths (1.6) percent and that normal retirement age shall be age sixty-four (64) for its members whose initial membership is on or after January 1, 2012; and

WHEREAS the collective bargaining agreement with the Building Trades of Milwaukee County does not contain these or similar provisions; and

WHEREAS, 2011 Wisconsin Act 10, known as the Budget Repair Bill, contains provisions that prohibit collective bargaining over non-base wage and benefit items for non-public safety employees; and

WHEREAS, 2011 Wisconsin Act 10 permits the County to immediately implement the modifications listed above from the 2010 Adopted Budget for Org. Unit 1972 for AFSCME DC 48 employees and to implement those modifications for the Building Trades effective January 1, 2012; and

WHEREAS, because 2011 Wisconsin Act 10 prohibits collective bargaining with units containing non-public safety employees concerning pension benefits, the County Board wishes to codify in the ordinances pension provisions previously found in such collective bargaining agreements units for non-public safety employees related to the pension multiplier, the normal retirement age and the Rule of 75; and

WHEREAS, pursuant to Section 201.24(8.17) of the MCGO, the proposed changes to Section 201.24 of the MCGO have been referred to the Pension Board for comment; and

WHEREAS, the proposed changes to Section 201.24 of the MCGO have been referred to the pension fund actuary whose actuarial analysis indicates that the changes will decrease the accrued liability and the normal actuarial cost; and

WHEREAS, the Pension Study Commission reviewed the pension fund actuary's report on ____________, 2011 and has recommended the County Board adopt the proposed changes to Section 201.24 of the MCGO (Vote X-X); now, therefore,

BE IT RESOLVED, to codify these changes, the Milwaukee County Board of Supervisors hereby amends Sections 201.24(2.18), (4.1), (5.1) and (5.15) of the Milwaukee County Code of General Ordinances by adopting the following:

AN ORDINANCE

The County Board of Supervisors of the County of Milwaukee does ordain as follows:

SECTION 1. Section 201.24(2.18) of the General Ordinances of Milwaukee County is amended as follows:

2.18. Normal retirement age.

(1) Except as provided in subsections (2), (3), (4), (5) and (6), normal retirement age for all ~~other~~ members shall be age sixty (60).

(2) Normal retirement age shall be age fifty-seven (57) for a member who is a deputy sheriff~~s~~ at the time his employment terminates.

(3) Normal retirement age shall be age sixty-four (64) for the following members whose initial membership date in the retirement system began on or after January 1, 2010:

(a) a member ~~(a)~~ who is not covered by a collective bargaining agreement and who is not an elected official at the time his employment terminates; or

(b) a member who is represented by the International Association of Machinists and Aerospace Workers at the time his employment terminates; or

(c) a member who is represented by the Technicians, Engineers and Architects of Milwaukee County at the time his employment terminates; or

(d) a member who is represented by the Association of Milwaukee County Attorneys at the time his employment terminates. ~~and (ec) whose initial membership in the retirement system began on or after January 1, 2010, shall be age sixty-four (64). For all other members, normal retirement age shall be age sixty (60).~~

(4) Normal retirement age shall be age sixty-four (64) for a member who is represented by the American Federation of State, County and Municipal Employees District Council 48 at the time his employment terminates and whose initial membership date is on or after August 1, 2011.

(5) Normal retirement age shall be age sixty-four (64) for a member who is represented by the Federation of Nurses and Health Professionals or by the Milwaukee Building and Construction Trades Council at the time his employment terminates and whose initial membership date is on or after January 1, 2012.

Section 2. Section 201.24(4.1) of the General Ordinances of Milwaukee County is amended as follows:

Section 4.1. Normal retirement.

(1) (a) A member shall be eligible for a normal pension if his employment is terminated on or after he has attained age fifty-five (55) and has completed thirty (30) years of service, or if his employment is terminated on or after he has attained normal retirement age as defined in section 2.18. Deputy sheriffs shall be eligible to retire at age fifty-seven (57) regardless of their number of years of service or at age fifty-five (55) with at least fifteen (15) years of creditable pension service.

(b) Notwithstanding the provisions of subparagraph (a), a member of the International Association of Machinists and Aerospace Workers whose initial membership date is before January 1, 2012 shall not be eligible for a normal pension until the member has attained normal retirement age as defined in section 2.18 and has completed five (5) years of service.

(c) Notwithstanding the provisions of subparagraph (a), a member of the Federation of Nurses and Health Professionals whose initial membership date is before January 1, 2012 shall not be eligible for a normal pension until the member has attained normal retirement age as defined in section 2.18 and has completed five (5) years of service.

(2) Rule of 75. (a) A member who is not covered by the terms of a collective bargaining agreement at the time his employment is terminated and whose initial membership in the retirement system under section 201.24 began prior to January 1, 2006, retires on and after September 1, 1993, shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5 nor to any nonrepresented deputy sheriff who was hired as a deputy sheriff after December 31, 1993 and whose appointment to a nonrepresented position was first effective after June 30, 2009.

(b) A member of the American Federation of State, County and Municipal Employees District Council 48, of the Technicians, Engineers and Architects of Milwaukee County, or of the International Association of Machinists and Aerospace Workers, whose initial membership date is prior to January 1, 1994, shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

(c) A member of the Federation of Nurses and Health Professionals whose initial membership date is prior to January 1, 1997 shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

(d) A member of the Association of Milwaukee County Attorneys whose initial membership date is prior to January 1, 2006 shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

(e) A member of the Milwaukee Building and Construction Trades Council whose initial membership date is prior to February 21, 2006 shall be eligible for a normal pension when the age of the member when added to his years of service equals seventy-five (75), but this provision shall not apply to any member eligible under section 4.5.

Section 3. Section 201.24(5.1) of the General Ordinances of Milwaukee County is amended as follows:

5.1. Normal pension.

(1) A member, other than a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official, whose continuous membership began prior to January 1, 1982 who meets the requirements for a normal pension shall receive an amount equal to two (2) percent of his final average salary multiplied by the number of his years of service rendered prior to January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official, and shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service rendered on and after January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official. A member, other than a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official, whose continuous membership began after January 1, 1982, who meets the requirements for a normal pension shall receive an amount equal to one and one-half (1 1/2) percent of his final average salary multiplied by the number of his years of service rendered prior to January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official and shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service rendered on and after January 1, 2010, other than as a member covered by the terms of a collective bargaining agreement, a deputy sheriff or elected official.

(2) (a) A member covered by the terms of a collective bargaining agreement, other than a deputy sheriff, whose continuous membership began prior to January 1, 1982, who meets the requirements for a normal pension shall receive an amount equal to two (2) percent of his final average salary multiplied by the number of his years of service as a collective bargaining agreement member other than a deputy sheriff.

(b) A member covered by the terms of a collective bargaining agreement, other than a deputy sheriff, whose continuous membership began after January 1, 1982 who meets the requirements for a normal pension shall receive an amount equal to one and one-half (1 1/2) percent of his final average salary multiplied by the number of his years of service as a collective bargaining agreement member other than a deputy sheriff.

(c) A member shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service, for service as a member represented by AFSCME District Council 48, rendered on or after August 1, 2011.

(d) A member shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service, for service as a member represented by the Technicians, Engineers and Architects of Milwaukee County or by the International Association of Machinists, rendered on or after May 1, 2010.

(e) A member shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service, for service as a member represented by the Association of Milwaukee County Attorneys, rendered on or after June 1, 2010.

(f) A member shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service, for service as a member represented by the Federation of Nurses and Health Professionals or by the Milwaukee Building and Construction Trades Council, rendered on or after January 1, 2012.

(3) A member who is a deputy sheriff whose continuous membership began prior to July 1, 1995, and who meets the requirements for a normal pension shall receive an amount equal to two and five-tenths (2.5) percent of his final average salary multiplied by the number of his years of service as a deputy sheriff. A member who is a deputy sheriff whose continuous membership began on or after July 1, 1995 and who meets the requirements for a normal pension shall receive an amount equal to two (2) percent of his final average salary multiplied by the number of his years of service as a deputy sheriff. Incumbents of positions of chief investigator or investigator authorized in the office of the district attorney shall receive the same pension benefit as a deputy sheriff. Incumbents of the positions of airport fire chief, assistant airport fire chief, and fire fighter shall receive an amount equal to one and one-half (1 1/2) percent of their final average salary multiplied by the number of years of service for all service in these classifications prior to January 1, 1999, and two (2) percent of their final average salary multiplied by the number of years of service in these classifications for all service after December 31, 1998.

(4) A member who is an elected official whose continuous membership began prior to January 1, 1982, and who meets the requirements for a normal pension, shall receive an amount equal to two and one-half (2 1/2) percent of his final average salary multiplied by the number of his years of service as an elected official. A member who is an elected official whose continuous membership began after January 1, 1982, and who meets the requirements for a normal pension, shall receive an amount equal to two (2) percent of his final average salary multiplied by the number of his years of service as an elected official. Regardless of when membership began, an elected official shall receive an amount equal to one and six-tenths (1.6) percent of his final average salary multiplied by the number of his years of service rendered on and after October 14, 2010 as an elected official.

(5) If a member has service in more than one (1) of the foregoing job capacities, his pension shall be the sum of the amounts computed by multiplying his final average salary by the product of the foregoing benefit percentage for each such capacity and his service in each such capacity.

(6) If a member has service in one (1) or more of the foregoing job capacities as well as service as an employe of the state who receives part of his wage or salary from the county, his pension for service shall be equal to two and one-half

(2 1/2) percent or two (2) percent respectively of his final average salary paid by the county multiplied by the number of years of service as an elected county or state official and two (2) percent or one and one-half (1 1/2) percent respectively multiplied by the number of years of service other than as an elected official.

(7) The pension payable to a member under the provisions of this section 5.1 shall not exceed eighty (80) percent of his final average salary increased by the post-retirement pension adjustment percentage in effect for each year of the member's continued employment after having accrued sufficient service to have become subject to the eighty (80) percent maximum percentage.

SECTION 4. Section 201.24(5.15) of the General Ordinances of Milwaukee County is amended as follows:

Section 5.15. Recruitment and retention incentive effective January 1, 2001.

The provisions of this section shall apply to all members of the employes' retirement system eligible to accrue pension service credit as of January 1, 2001, who are not represented by a collective bargaining unit and file an application for retirement after January 1, 2001. This section shall supersede any provisions of section 5.1 that may conflict with this section. The provisions of this section shall not apply to any member of the employes' retirement system who filed an application for retirement prior to January 1, 2001, which shall be effective on or after January 1, 2001. The provisions of this section shall not apply to members of the employes' retirement system who, as of January 1, 2001, are either eligible for a deferred vested retirement benefit under section 4.5 or are receiving a retirement benefit, unless such members return to a status eligible to accrue additional service credit on or after January 1, 2001. The provisions of this section shall not apply to years of service earned on or after January 1, 2010, by a member who, at the time the service is earned, is not covered by the terms of a collective bargaining agreement, nor shall this section apply to service credit earned on or after October 14, 2010 by a member who, at the time service is earned, is an elected official, nor shall this section apply to service credit earned on or after the effective date of sections 201.24(5.1)(2)(c) through (f).

(1) If membership in the employes' retirement system initially began on or after January 1, 1982, the following recruitment and retention incentives shall apply:

(a) Except for a non-represented deputy sheriff whose membership began prior to July 1, 1995, or whose appointment to a non-represented position was first effective after June 30, 2009, and elected officials whose membership began on or after March 15, 2002, all pension service credit earned on and after January 1, 2001, shall be credited in an amount equal to an additional 0.5 percent of the member's final average salary. For each year of service credit earned after January 1, 2001, eight (8) years of service credit earned prior to January 1, 2001, shall be credited at an additional 0.5 percent of the member's final average salary. The additional service credits under this section 5.15(1)(a) shall not apply to any elected official whose membership began prior to March 15, 2002, if such elected official consents irrevocably in writing filed with the system to waive the right to receive such additional pension service credits.

(b) An employe shall not be eligible for a deferred vested pension if his/her employment is terminated prior to his/her completion of five (5) years of service.

(2) Retention incentive bonus. If initial membership in the employes' retirement system began prior to January 1, 1982, or July 1, 1995, for a nonrepresented deputy sheriff whose appointment to a non-represented position was first effective prior to July 1, 2009, at the time of retirement, the member shall have their final average salary increased by a bonus of seven and five-tenths (7.5) percent for each year of pension service credit earned after January 1, 2001. The maximum bonus that shall be added to an eligible member's final average salary shall not be more than twenty-five (25) percent. This provision shall not apply to a member of the employes' retirement system who became a member of the system prior to January 1, 1982, and as of January 1, 2001, is either eligible for a deferred vested benefit under section 201.24(4.5), or is receiving a pension benefit, unless such member returns to a status whereby the member is eligible to earn additional pension service credit on or after January 1, 2001. The retention incentive bonus under this section 5.15(2) shall not apply to any elected official who is otherwise eligible to receive such bonus if such elected official consents irrevocably in writing filed with the system to waive the right to receive such retention incentive bonus.

(3) Members who hold positions for which membership in the employes' retirement system is optional and opt for such membership, shall have pension service credit earned after January 1, 2001, credited at two (2) percent. However, such service credit shall not result in a multiplier increase for service credit earned prior to January 1, 2001, nor shall such service credit qualify the member for a retention incentive bonus.

The provisions of this section shall not apply to a member of the employes' retirement system who is either eligible for a deferred vested benefit under section 201.24(4.5), or is receiving a pension benefit as of January 1, 2001, unless such member returns to active county employment and is eligible to earn additional pension service credit under section 201.24.

Section 5. The provisions of this ordinance shall be effective upon passage and publication.

July 19, 2011

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
901 N. 9th St.
Milwaukee, WI 53233

RE: Actuary's Review Proposed Ordinance Amendment to the Employees' Retirement System for Various Employee Groups

Dear Supervisor Cesarz,

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System of the attached, proposed ordinance amendment. If adopted, this amendment would decrease the multiplier from 2.0% to 1.6% for current members' future service & future hires' total service, and it would increase the normal retirement age to 64 for future hires only. These changes either have been applied or are anticipated to be applied for all employee groups within the County. The non-represented employees, excluding elected officials and deputy sheriffs, were the subject of our December 4, 2009 analysis. These provisions were enacted for non-represented members as part of the January 1, 2010 valuation. These provisions were agreed to by the Association of Milwaukee County Attorneys (Attorneys), TEAMCO, and the Machinists in their most recent bargaining agreements. The impact was implemented effective with the January 1, 2011 valuation for these three groups. Our analysis of the impact on Federation of Nurses and Health Professionals (FNHP) was analyzed in our June 17, 2011 letter and will be implemented in the next valuation. This analysis covers AFSCME District County 48 (DC48) employees and Building Trades of Milwaukee County (Building Trades) employees in detail. In addition, we will discuss in broad terms the impact of these provisions on the Association of Milwaukee County Attorneys, TEAMCO, and the Machinists given these results have already been reflected in the actuarial valuation.

Actuarial Analysis

DC 48

The ordinance amendment affects current and future represented DC 48 employees, which included 2,870 employees as of January 1, 2011. We have estimated that a decrease in multiplier to this group's future service would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.202B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $114.6M. The overall effect would be a decrease in the annual contribution from $26.8M to $24.6M, or $2.2M.

In order to calculate the financial effect related to future employees, we believe it is reasonable to assume that the financial effects of future employees will be similar to the effects of members under the most recent provisions. Therefore, in order to approximate the savings from this proposal for any future

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employees, we have examined the cost of the multiplier change and normal retirement age change by evaluating current DC 48 employees.

Assuming that future hires have similar characteristics as current employees under the most recent provisions, we have estimated that a decrease in multiplier to this group's future service and an increase in normal retirement age to 64 would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.202B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $110.0M. The overall effect would be a decrease in the annual contribution from $26.8M to $24.1M, or $2.7M. The impact of the increase in normal retirement age is to decrease the contribution an additional $0.5M over the decrease in multiplier provision.

Building Trades

The ordinance amendment affects current and future represented Building Trades employees, which included 86 employees as of January 1, 2011. We have estimated that a decrease in multiplier to this group's future service would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.219B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $127.1M. The overall effect would be a decrease in the annual contribution from $26.8M to $26.7M, or $0.1M.

In order to calculate the financial effect related to future employees, we believe it is reasonable to assume that the financial effects of future employees will be similar to the effects of members under the most recent provisions. Therefore, in order to approximate the savings from this proposal for any future employees, we have examined the cost of the multiplier change and normal retirement age change by evaluating current Building Trades employees.

Assuming that future hires have similar characteristics as current employees under the most recent provisions, we have estimated that a decrease in multiplier to this group's future service and an increase in normal retirement age to 64 would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.219B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $126.8M. The overall effect would be a decrease in the annual contribution from $26.8M to $26.7M, or $0.1M. The impact of the increase in normal retirement age is to decrease the contribution somewhat, but in this instance it gets lost in the rounding.

FNHP

These results were previously discussed in our June 16, 2011 analysis but are included here to provide a complete picture of the impact of this change if it is enacted on all groups. The ordinance amendment affects current and future represented FNHP employees, which included 275 employees as of January 1, 2011. We have estimated that a decrease in multiplier to this group's future service would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.218B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $126.9M. The overall effect would be a decrease in the annual contribution from $26.8M to $26.6M, or $191,239.

In order to calculate the financial effect related to future employees, we believe it is reasonable to assume that the financial effects of future employees will be similar to the effects of members under the most recent provisions. Therefore, in order to approximate the savings from this proposal for any future employees, we have examined the cost of the multiplier change and normal retirement age change by evaluating current represented FNHP employees.

Assuming that future hires have similar characteristics as current employees under the most recent provisions, We have estimated that a decrease in multiplier to this group's future service and an increase in normal retirement age to 64 would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.218B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $126.6M. The overall effect would be a decrease in the annual contribution from $26.8M to $26.6M, or $215,784. The impact of the increase in normal retirement age is to decrease the contribution an additional $25,545 over the decrease in multiplier provision.

Cumulative impact for DC 48, Building Trades and FNHP (groups not reflected in the January 1, 2011 Valuation)

As noted above, these provisions have been reflected in the January 1, 2011 actuarial valuation for non-represented employees, excluding elected officials and deputy sheriffs, the Association of Milwaukee County Attorneys, TEAMCO, and the Machinists. Exhibit IV shows the impact if the ordinance is adopted for DC 48, Building Trades and FNHP as well. These groups were not reflected in the January 1, 2011 Valuation. As of the valuation, there were 3,231 employees in DC 48, Building Trades and FNHP. We have estimated that a decrease in multiplier to this group's future service would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.200B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $113.2M. The overall effect would be a decrease in the annual contribution from $26.8M to $24.3M, or $2.5M.

In order to calculate the financial effect related to future employees, we believe it is reasonable to assume that the financial effects of future employees will be similar to the effects of members under the most recent provisions. Therefore, in order to approximate the savings from this proposal for any future employees, we have examined the cost of the multiplier change and normal retirement age change by evaluating current represented affected employees.

Assuming that future hires have similar characteristics as current employees under the most recent provisions, We have estimated that a decrease in multiplier to this group's future service and an increase in normal retirement age to 64 would decrease the total present value of benefits as of January 1, 2011 from $2.220B to $2.200B. This change would also decrease the present value of future normal cost as of January 1, 2011 from $127.7M to $108.2M. The overall effect would be a decrease in the annual contribution from $26.8M to $23.8M, or $3.0M. The impact of the increase in normal retirement age is to decrease the contribution an additional $0.5M over the decrease in multiplier provision.

Attorneys, TEAMCO and Machinists

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
July 19, 2011
Page 4

As noted above, these provisions have already been reflected in the January 1, 2011 actuarial valuation report. The impact of these provisions on the Attorneys, TEAMCO and Machinists are similar in nature to that of DC 48 and Building Trades above. Rather than back these results out of the baseline January 1, 2011 actuarial valuation results, we will discuss them briefly here. There were 86 Attorney, TEAMCO and Machinists reported for the January 1, 2011 actuarial valuation. The decrease in annual contribution for both the multiplier provision and the increase in normal retirement age was approximately $0.1 M; that is, the annual contribution reported in the January 1, 2011 annual actuarial valuation would have been $26.9M instead of the $26.8M reported had this provision not been reflected for Attorneys, TEaMCO and Machinists.

Basis for the Analysis

Unless otherwise noted below, we have based this analysis on the data, assumptions and methods used for the most recently completed valuation, which was as of January 1, 2011. We understand that the analysis provided here for this proposed amendment would only impact represented DC 48, Building Trades and FNHP employees. As of January 1, 2011, there were 3,231 of these employees, with average salary of $43,303, average age of 45.97 and average service of 11.69 years.

It should be noted that the frequency of future hires will be one of the driving forces in the overall impact to the System should this proposed ordinance amendment be adopted. For this analysis we have assumed that these changes would go in effect January 1, 2011. Use of another effective date during 2011 would not materially affect the long term results.

The undersigned is a Member of the American Academy of Actuaries and meets the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Sincerely,

Larry Langer, ASA, EA, MAAA
Principal, Consulting Actuary

LFL:pl
19150/c7200ret01 - 1.6 age 64 proposal july 18 2011.doc
cc: Mark Grady
Marco Ruffini
Valerie Long

buckconsultants

Milwaukee County
January 1, 2011 Cost Study Results
Multiplier decrease from 2.0 to 1.6 for current members' future service &
Normal Retirement Age of 64 for new hires & multiplier decreased from 2.0 to 1.6 for new hires and current members' future service
Exhibit 1

Item	Current Valuation	Changes for DC 48: 1) Multiplier Change - Future Service	Changes for DC 48: 2) Retirement Age of 64
Valuation Results			
1. Present Value of Future Benefits			
a) Active Participants	$ 770,715,962	$ 753,617,816	$ 753,617,816
b) Participants with Deferred Benefits	69,435,621	69,435,621	69,435,621
c) Participants Receiving Benefits	1,379,441,317	1,379,441,317	1,379,441,317
d) Total	$ 2,219,592,900	$ 2,202,494,754	$ 2,202,494,754
2. Present Value of Future Normal Cost	$ 127,666,249	$ 114,594,306	$ 110,019,126
3. Actuarial Accrued Liability: (1 - 2)	$ 2,091,926,651	$ 2,087,900,448	$ 2,092,475,628
4. Actuarial Value of Assets	$ 1,929,427,864	$ 1,929,427,864	$ 1,929,427,864
5. Funded Status: (4 / 3)	92.2 %	92.4 %	92.2 %
6. Unfunded Actuarial Accrued Liability. (3 - 4)	$ 162,498,787	$ 158,472,584	$ 163,047,764
7. Normal Cost Rate	8.457 %	7.591 %	7.288 %
8. Normal Cost for the Plan Year	$ 18,744,724	$ 16,825,723	$ 16,153,954
Employer Actual Funding Contribution and Annual Required Contribution for Fiscal Year			
9. Actual Funding Contribution Calculated by Actuary			
a) Normal Cost with Interest	$ 19,480,089	$ 17,485,804	$ 16,787,681
b) Net Annual Amortization Payments	7,327,948	7,076,683	7,362,208
c) Total Contribution: ((a + b), not less than zero)	$ 26,808,037	$ 24,562,487	$ 24,149,889

1) The adopted changes above affects DC48. This means that 2,870 out of the 4,448 Active members are affected by this change.
2) The Normal Cost for adopted changes reflects the change immediately.
3) The Present Value of Benefits foradopted changes only reflects the multiplier decrease for current members' future service.
4) The Retirement Rates used to develop the adopted changes are shown below:

	General (backdrop eligible)		General (not backdrop eligible)	
Age	Current	Proposed	Current	Proposed
45	19.8	19.8	0.0	0.0
46	19.8	19.8	0.0	0.0
47	19.8	19.8	0.0	0.0
48	19.8	19.8	0.0	0.0
49	19.8	19.8	0.0	0.0
50	19.8	19.8	7.0	7.0
51	19.8	19.8	7.0	7.0
52	19.8	19.8	7.0	7.0
53	19.8	19.8	7.0	7.0
54	19.8	19.8	7.0	7.0
55	19.8	19.8	15.0	15.0
56	19.8	19.8	15.0	15.0
57	23.0	23.0	15.0	15.0
58	20.4	20.4	15.0	15.0
59	24.8	24.8	15.0	15.0
60	19.4	19.4	20.0	20.0
61	22.5	22.5	20.0	20.0
62	28.4	28.4	20.0	20.0
63	26.6	26.6	20.0	20.0
64	24.3	40.0	25.0	40.0
65	30.4	30.0	30.0	30.0
66	22.5	30.0	30.0	30.0
67	25.7	30.0	30.0	30.0
68	34.2	30.0	30.0	30.0
69	26.0	30.0	30.0	30.0
70	100.0	100.0	100.0	100.0
	current: 55&30 or 60 new: 55&30 or 64		current: 55&30 or 60 new: 55&30 or 64	

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July 19, 2011

Milwaukee County
January 1, 2011 Cost Study Results
Multiplier decrease from 2.0 to 1.6 for current members' future service &
Normal Retirement Age of 64 for new hires & multiplier decreased from 2.0 to 1.6 for new hires and current members' future service
Exhibit II

		Changes for Building Trades	
Item	**Current Valuation**	**1) Multiplier Change - Future Service**	**2) Retirement Age of 64**
Valuation Results			
1. Present Value of Future Benefits			
a) Active Participants	$ 770,715,962	$ 770,033,733	$ 770,033,733
b) Participants with Deferred Benefits	69,435,621	69,435,621	69,435,621
c) Participants Receiving Benefits	1,379,441,317	1,379,441,317	1,379,441,317
d) Total	$ 2,219,592,900	$ 2,218,910,671	$ 2,218,910,671
2. Present Value of Future Normal Cost	$ 127,666,249	$ 127,058,630	$ 126,845,963
3. Actuarial Accrued Liability: (1 - 2)	$ 2,091,926,651	$ 2,091,852,041	$ 2,092,064,708
4. Actuarial Value of Assets	$ 1,929,427,864	$ 1,929,427,864	$ 1,929,427,864
5. Funded Status: (4 / 3)	92.2 %	92.2 %	92.2 %
6. Unfunded Actuarial Accrued Liability. (3 - 4)	$ 162,498,787	$ 162,424,177	$ 162,636,844
7. Normal Cost Rate	8.457 %	8.417 %	8.403 %
8. Normal Cost for the Plan Year	$ 18,744,724	$ 18,655,844	$ 18,624,614
Employer Actual Funding Contribution and Annual Required Contribution for Fiscal Year			
9. Actual Funding Contribution Calculated by Actuary			
a) Normal Cost with Interest	$ 19,480,089	$ 19,387,721	$ 19,355,266
b) Net Annual Amortization Payments	7,327,948	7,323,292	7,336,564
c) Total Contribution: ((a + b), not less than zero)	$ 26,808,037	$ 26,711,013	$ 26,691,830

1) The adopted changes above affects Building Trades. This means that 86 out of the 4,448 Active members are affected by this change.
2) The Normal Cost for adopted changes reflects the change immediately.
3) The Present Value of Benefits foradopted changes only reflects the multiplier decrease for current members' future service.
4) The Retirement Rates used to develop the adopted changes are shown below:

	General (backdrop eligible)		General (not backdrop eligible)	
Age	Current	Proposed	Current	Proposed
45	19.8	19.8	0.0	0.0
46	19.8	19.8	0.0	0.0
47	19.8	19.8	0.0	0.0
48	19.8	19.8	0.0	0.0
49	19.8	19.8	0.0	0.0
50	19.8	19.8	7.0	7.0
51	19.8	19.8	7.0	7.0
52	19.8	19.8	7.0	7.0
53	19.8	19.8	7.0	7.0
54	19.8	19.8	7.0	7.0
55	19.8	19.8	15.0	15.0
56	19.8	19.8	15.0	15.0
57	23.0	23.0	15.0	15.0
58	20.4	20.4	15.0	15.0
59	24.8	24.8	15.0	15.0
60	19.4	19.4	20.0	20.0
61	22.5	22.5	20.0	20.0
62	28.4	28.4	20.0	20.0
63	26.6	26.6	20.0	20.0
64	24.3	40.0	25.0	40.0
65	30.4	30.0	30.0	30.0
66	22.5	30.0	30.0	30.0
67	25.7	30.0	30.0	30.0
68	34.2	30.0	30.0	30.0
69	26.0	30.0	30.0	30.0
70	100.0	100.0	100.0	100.0
	current: 55&30 or 60 new: 55&30 or 64		current: 55&30 or 60 new: 55&30 or 64	

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July 19, 2011

Milwaukee County
January 1, 2011 Cost Study Results
Multiplier decrease from 2.0 to 1.6 for current members' future service &
Normal Retirement Age of 64 for new hires & multiplier decreased from 2.0 to 1.6 for new hires and current members' future service
Exhibit III

Item	Current Valuation	Changes for FNHP (Nurses). 1) Multiplier Change - Future Service	2) Retirement Age of 64
Valuation Results			
1. Present Value of Future Benefits			
a) Active Participants	$ 770,715,962	$ 768,733,143	$ 768,733,143
b) Participants with Deferred Benefits	69,435,621	69,435,621	69,435,621
c) Participants Receiving Benefits	1,379,441,317	1,379,441,317	1,379,441,317
d) Total	$ 2,219,592,900	$ 2,217,610,081	$ 2,217,610,081
2. Present Value of Future Normal Cost	$ 127,666,249	$ 126,917,773	$ 126,645,593
3. Actuarial Accrued Liability: (1 - 2)	$ 2,091,926,651	$ 2,090,692,308	$ 2,090,964,488
4. Actuarial Value of Assets	$ 1,929,427,864	$ 1,929,427,864	$ 1,929,427,864
5. Funded Status: (4 / 3)	92.2 %	92.3 %	92.3 %
6. Unfunded Actuarial Accrued Liability: (3 - 4)	$ 162,498,787	$ 161,264,444	$ 161,536,624
7. Normal Cost Rate	8.457 %	8.407 %	8.389 %
8. Normal Cost for the Plan Year	$ 18,744,724	$ 18,634,828	$ 18,594,865
Employer Actual Funding Contribution and Annual Required Contribution for Fiscal Year			
9. Actual Funding Contribution Calculated by Actuary			
a) Normal Cost with Interest	$ 19,480,089	$ 19,365,882	$ 19,324,351
b) Net Annual Amortization Payments	7,327,948	7,250,916	7,267,902
c) Total Contribution: ((a + b), not less than zero)	$ 26,808,037	$ 26,616,798	$ 26,592,253

1) The adopted changes above affects FNHP. This means that 275 out of the 4,448 Active members are affected by this change.
2) The Normal Cost for adopted changes reflects the change immediately.
3) The Present Value of Benefits foradopted changes only reflects the multiplier decrease for current members' future service.
4) The Retirement Rates used to develop the adopted changes are shown below:

	General (backdrop eligible)		General (not backdrop eligible)	
Age	Current	Proposed	Current	Proposed
45	19.8	19.8	0.0	0.0
46	19.8	19.8	0.0	0.0
47	19.8	19.8	0.0	0.0
48	19.8	19.8	0.0	0.0
49	19.8	19.8	0.0	0.0
50	19.8	19.8	7.0	7.0
51	19.8	19.8	7.0	7.0
52	19.8	19.8	7.0	7.0
53	19.8	19.8	7.0	7.0
54	19.8	19.8	7.0	7.0
55	19.8	19.8	15.0	15.0
56	19.8	19.8	15.0	15.0
57	23.0	23.0	15.0	15.0
58	20.4	20.4	15.0	15.0
59	24.8	24.8	15.0	15.0
60	19.4	19.4	20.0	20.0
61	22.5	22.5	20.0	20.0
62	28.4	28.4	20.0	20.0
63	26.6	26.6	20.0	20.0
64	24.3	40.0	25.0	40.0
65	30.4	30.0	30.0	30.0
66	22.5	30.0	30.0	30.0
67	25.7	30.0	30.0	30.0
68	34.2	30.0	30.0	30.0
69	26.0	30.0	30.0	30.0
70	100.0	100.0	100.0	100.0
	current: 55&30 or 60 new: 55&30 or 64		current: 55&30 or 60 new: 55&30 or 64	

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July 19, 2011

Milwaukee County
January 1, 2011 Cost Study Results
Multiplier decrease from 2.0 to 1.6 for current members' future service &
Normal Retirement Age of 64 for new hires & multiplier decreased from 2.0 to 1.6 for new hires and current members' future service
Exhibit IV

	Changes for DC 48, Building Trades and FNHP		
Item	**Current Valuation**	**1) Multiplier Change - Future Service**	**2) Retirement Age of 64**
Valuation Results			
1. Present Value of Future Benefits			
a) Active Participants	$ 770,715,962	$ 750,952,768	$ 750,952,768
b) Participants with Deferred Benefits	69,435,621	69,435,621	69,435,621
c) Participants Receiving Benefits	1,379,441,317	1,379,441,317	1,379,441,317
d) Total	$ 2,219,592,900	$ 2,199,829,706	$ 2,199,829,706
2. Present Value of Future Normal Cost	$ 127,666,249	$ 113,238,210	$ 108,178,184
3. Actuarial Accrued Liability: (1 - 2)	$ 2,091,926,651	$ 2,086,591,496	$ 2,091,651,522
4. Actuarial Value of Assets	$ 1,929,427,864	$ 1,929,427,864	$ 1,929,427,864
5. Funded Status: (4 / 3)	92.2 %	92.5 %	92.2 %
6. Unfunded Actuarial Accrued Liability: (3 - 4)	$ 162,498,787	$ 157,163,632	$ 162,223,658
7. Normal Cost Rate	8.457 %	7.501 %	7.166 %
8. Normal Cost for the Plan Year	$ 18,744,724	$ 16,626,617	$ 15,883,655
Employer Actual Funding Contribution and Annual Required Contribution for Fiscal Year			
9. Actual Funding Contribution Calculated by Actuary			
a) Normal Cost with Interest	$ 19,480,089	$ 17,278,887	$ 16,506,778
b) Net Annual Amortization Payments	7,327,948	6,994,995	7,310,778
c) Total Contribution: ((a + b), not less than zero)	$ 26,808,037	$ 24,273,882	$ 23,817,556

1) The adopted changes above affects DC 48, Building Trades and FNHP. This means that 3,231 out of the 4,448 Active members are affected by this change.
2) The Normal Cost for adopted changes reflects the change immediately.
3) The Present Value of Benefits foradopted changes only reflects the multiplier decrease for current members' future service.
4) The Retirement Rates used to develop the adopted changes are shown below:

	General (backdrop eligible)		General (not backdrop eligible)	
Age	Current	Proposed	Current	Proposed
45	19.8	19.8	0.0	0.0
46	19.8	19.8	0.0	0.0
47	19.8	19.8	0.0	0.0
48	19.8	19.8	0.0	0.0
49	19.8	19.8	0.0	0.0
50	19.8	19.8	7.0	7.0
51	19.8	19.8	7.0	7.0
52	19.8	19.8	7.0	7.0
53	19.8	19.8	7.0	7.0
54	19.8	19.8	7.0	7.0
55	19.8	19.8	15.0	15.0
56	19.8	19.8	15.0	15.0
57	23.0	23.0	15.0	15.0
58	20.4	20.4	15.0	15.0
59	24.8	24.8	15.0	15.0
60	19.4	19.4	20.0	20.0
61	22.5	22.5	20.0	20.0
62	28.4	28.4	20.0	20.0
63	26.6	26.6	20.0	20.0
64	24.3	40.0	25.0	40.0
65	30.4	30.0	30.0	30.0
66	22.5	30.0	30.0	30.0
67	25.7	30.0	30.0	30.0
68	34.2	30.0	30.0	30.0
69	26.0	30.0	30.0	30.0
70	100.0	100.0	100.0	100.0
	current: 55&30 or 60 new: 55&30 or 64		current: 55&30 or 60 new: 55&30 or 64	

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July 19, 2011

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 07.19.2011

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Modifications to the following:
Ordinance 201.24 (2.18) Normal Retirement Age;
Ordinance 201.24 (4.1) Normal Retirement;
Ordinance 201.24 (4.5) Deferred Vested Retirement;
Ordinance 201.24 (5.1) Normal Pension;
Ordinance 201.24 (5.15) Recruitment and Retention Incentive Effective January 1, 2001

FISCAL EFFECT:

- ☐ No Direct County Fiscal Impact
  - ☐ Existing Staff Time Required
- ☐ Increase Operating Expenditures (If checked, check one of two boxes below)
  - ☐ Absorbed Within Agency's Budget
  - ☐ Not Absorbed Within Agency's Budget
- ☒ Decrease Operating Expenditures
- ☐ Increase Operating Revenues
- ☒ Decrease Operating Revenues
- ☐ Increase Capital Expenditures
- ☐ Decrease Capital Expenditures
- ☐ Increase Capital Revenues
- ☐ Decrease Capital Revenues
- ☐ Use of contingent funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	**Current Year**	**Subsequent Year**
Operating Budget	Expenditure Reduction	($880,081)	($880,081)
	Revenue Reduction	($182,177)	($182,177)
	Net Savings	($697,904)	($697,904)
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.

B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. [1] If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.

C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.

D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

<u>Modification to Ordinance 201.24 (2.18, 4.1, and 4.5) Change in Retirement Age to 64 effective August 1, 2011 for members of AFSCME and on January 1, 2012 for members of Milwaukee Building and Construction Trades Council (Trades) and codify in the ordinances the provisions already contained in the agreement with the Federation of Nursing and Health Professionals (FNHP), International Association of Machinists and Aerospace Workers (Machinists), members of the Technicians, Engineers and Architects of Milwaukee County (TEAMCO), and members of the Association of Milwaukee County Attorneys (Attorneys).</u>

A. A resolution is being presented to the County Board to modify Ordinance 201.24 (2.18) Normal Retirement Age, Ordinance 201.24 (4.1) Normal Retirement, Ordinance 201.24 (4.5) Deferred Vested Retirement. The changes in the ordinance would change the normal retirement age to sixty-four (64) for an employee whose initial membership in the pension system begins on or after the date as follows:

MEMBERSHIP	INITIAL MEMBERSHIP BEGINS ON OR AFTER
AFSCME	August 1, 2011
Trades	January 1, 2012
FNHP	January 1, 2012
Machinists	January 1, 2010
TEAMCO	January 1, 2010
Attorneys	January 1, 2010

This ordinance change will not impact current members, who are eligible for the Rule of 75.

[1] If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

B. Per the report of the actuary, Buck Consultants, received on July 19, 2011, the total savings for 2011 by changing the normal retirement age from sixty (60) to sixty-four (64) for members of AFSCME, the Trades and the FNHP is $456,326. If savings for departments that receive non-tax levy resources are eliminated, the net savings would reduced by $94,459 to $361,866.

There is no savings calculated for the Machinists, the TEAMCO, and the Attorneys as these changes were effectuated through contract negotiations and are contained within the January 1, 2010 valuation report. Changes related to these groups are only meant to codify into ordinance changes already negotiated with these unions.

C. The 2011 budget includes estimated savings from increasing the retirement age from age sixty (60) to age sixty-four (64) for members of AFSCME, Trades and the FNHP. The total net savings included in the 2011 budget from changing the normal retirement age from 60 to 64 for all employees of these unions whose initial membership in ERS began on or after January 1, 2011 is $83,662. Per a report from Buck Consultants, the total dollar savings for changing the retirement age from 60 to 64 for all new members was $456,326. A County-wide revenue offset percentage of 20.7% was used to reduce the savings by $94,459, to $361,867. Therefore, the unbudgeted savings for 2011 will be $278,205.

	Retirement Age
Gross Savings - Actuary	$ 456,326
Less Revenue Offset	$ 94,459
Total Savings	$ 361,867
Less	
2011 Net Budget Savings	$ 83,661
Total Additional Savings:	$ 278,205

D. The estimated savings were calculated based upon a report received from the actuary, Buck Consultants, and is attached as a reference document to this report.

<u>Modification to Ordinance 201.24 (5.1 and 5.15) change in pension multiplier to 1.6 percent for all service credit earned on or after August 11, 2011 for members of AFSCME; on or after May 1, 2010 for members of TEAMCO and the Machinists; on or after June 1, 2010 for members of the Attorneys; and on or after January 1, 2012 for a member represented by the FNHP or by the Trades.</u>

A. A resolution is being presented to the County Board to modify Ordinance 201.24 (5.1) Normal Pension and Ordinance 201.24 (5.15) Recruitment and Retention Incentive. The changes in the ordinance would change the pension percentage for employees who are members of the following bargaining units to one and six/tenths (1.6) percent for all service credit earned on or after the date as follows:

MEMBERSHIP	SERVICE CREDIT EARNED ON OR AFTER
AFSCME	August 11, 2011
Trades	January 1, 2012
FNHP	January 1, 2012
Machinists	May 1, 2010
TEAMCO	May 1, 2010
Attorneys	June 1, 2010

For all other members, the pension percentage shall stay as currently defined in the ordinance.

B. Per the report of the actuary, Buck Consultants, received on July 19, 2011, the total savings for 2011 by changing the pension percentage to 1.6 percent for members of ERS represented by AFSCME, the Milwaukee Building and Construction Trades Council, and the FNHP is estimated to be $2,534,155. If savings for departments that receive non-tax levy resources are eliminated the net savings would be reduced by $524,570 to $2,009,585.

There is no savings calculated for members of the International Association of Machinists and Aerospace Workers, members of the TEAMCO, and members of the Association of Milwaukee County Attorneys as these changes were effectuated through contract negotiations and are contained within the January 1, 2010 valuation report. Changes related to these groups are only meant to codify into ordinance changes already negotiated with these unions.

C. The 2011 budget includes estimated savings from changing the pension multiplier for members of the AFSCME, Milwaukee Building and Construction Trades Council and the FNHP to 1.6 percent for all pension service credit earned after January 1, 2011. The total net savings from changing the pension multiplier for these employees included in the 2011 budget is $1,589,886. Per the report from Buck Consultants, the total dollar savings for changing the multiplier for these members is $2,534,155. A County-wide revenue offset percentage of 20.7% was used to reduce the savings by $524,570 to $2,009,585. Therefore, the unbudgeted savings for 2011 will be $419,699.

	Multiplier Change
Gross Savings - Actuary	$ 2,534,155
Less Revenue Offset	$ 524,570
Total Savings	$ 2,009,585
Less	
2011 Net Budget Savings	$ 1,589,886
Total Additional Savings:	$ 419,699

D. The estimated savings for non-represented members were calculated based upon a report received from the actuary, Buck Consultants, and is attached as a reference document to this report.

Summary:

	Retirement Age	Multiplier Change	**TOTAL**
Gross Savings - Actuary	$ 456,326	$ 2,534,155	$ 2,990,481
Less Revenue Offset	$ 94,459	$ 524,570	$ 619,029
Total Savings	$ 361,867	$ 2,009,585	$ 2,371,452
Less			$ -
2011 Net Budget Savings	$ 83,661	$ 1,589,886	$ 1,673,547
			$ -
Total **Additional** Savings:	$ 278,205	$ 419,699	$ 697,904

Department/Prepared By DAS/ Cynthia (C.J.) Pahl

Authorized Signature ______________________________

Did DAS-Fiscal Staff Review? ☒ Yes ☐ No